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FM THE SITUATION ROOM//TOMAK 35//

TO PAUL BARBIAN FOR THE SECRETARY

T O P S E C R E T SENSITIVE EXCLUSIVELY EYES ONLY CONTAINS CODEWORD

VIA BLACK PATCH WH00011

State Dept. review completed

TOMAK 35

JANUARY 2, 1976

MEMORANDUM FOR: THE PRESIDENT
FROM: BRENT SCOWCROFT
SUBJECT: INFORMATION ITEMS

SCHMIDT VISIT TO ATHENS AND THE CYPRUS NEGOTIATIONS: THE FRG FOREIGN MINISTRY HAS INFORMED EMBASSY BONN THAT THE TALKS IN ATHENS BETWEEN CHANCELLOR SCHMIDT AND PRIME MINISTER KARAMANLIS REFLECTED GENERAL AGREEMENT ON POINTS OF SUBSTANCE AND HAVE ALSO GIVEN THE GERMAN GOVERNMENT SOME HOPE FOR FURTHER PROGRESS IN THE CYPRUS NEGOTIATIONS. KARAMANLIS REPORTEDLY STRESSED THE GREEK DESIRE TO ENTER THE EUROPEAN COMMUNITY AND SAID THAT THE COMMUNITY SHOULD WORK CLOSELY WITH THE U.S. IN THE PORTION OF THE GREEK-GERMAN COMMUNIQUE REGARDING CYPRUS, KARAMANLIS SHOWED UNDERSTANDING OF THE NEEDS OF THE TURKISH COMMUNITY ON CYPRUS. SCHMIDT REITERATED GERMAN READINESS TO BE HELPFUL.

- KARAMANLIS ASKED FOR GERMAN SUPPORT ON THREE POINTS:
(1) THE FULL INTEGRATION OF GREECE INTO THE COMMUNITY;
(2) THE GREEK APPEAL FOR A SECOND FINANCE PROTOCOL IN THE FRAMEWORK OF THE EC ASSOCIATION AGREEMENT; AND
(3) ECONOMIC AND MILITARY ASSISTANCE.

- SCHMIDT REPLIED THAT THE FRG HAD GIVEN FULL SUPPORT WITHOUT RESERVATIONS TO GREEK MEMBERSHIP IN THE EC. HE ASKED KARAMANLIS TO LET THIS BE PUBLICIZED MORE WIDELY. SCHMIDT SUGGESTED, HOWEVER, THAT THE GREEKS SHOULD TAKE CARE NOT TO PUSH THEIR AGRICULTURAL PRODUCTS TOO HARD WITHIN THE EC, SINCE THIS WOULD ALIENATE FRENCH AND ITALIAN INTERESTS.

* * * * * WHSR COMMENT * * * * *

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INSTRUCTIONS APPLY

- SCHMIDT SAID THAT IN BILATERAL RELATIONS, THE FRG HAD SUPPORTED GREECE MORE THAN ANY OTHER COUNTRY. HE ALSO ASKED THAT THIS BE PUBLICIZED. HE SAID THAT GERMANY HAD GIVEN GREECE 120 MILLION DM IN DEVELOPMENT AID AND 250 MILLION DM IN CREDITS FROM GERMAN BANKS (OFTEN GUARANTEED BY THE GOVERNMENT). AS FOR MILITARY AID, SCHMIDT SAID THAT A GERMAN MILITARY DELEGATION WOULD VISIT ATHENS IN JANUARY 1986 TO DISCUSS MILITARY AID AND IT WILL ALSO DISCUSS THE POSSIBILITY OF USING SOME OF THIS AID TO HELP FINANCE FOUR GREEK SUBMARINES (PRESUMABLY TO BE BUILT IN GERMAN YARDS).
- KARAMANLIS THEN DISCUSSED THE EUROPEAN RELATIONSHIP WITH THE U.S. AND HE TOOK SOME PAINS TO STRESS THAT THERE SHOULD BE CLOSE COLLABORATION BETWEEN A UNITED EUROPE AND THE U.S. THE FRG FOREIGN MINISTRY BELIEVES HE STRESSED THIS POINT TO OVERCOME GERMAN FEARS THAT GREECE, ONCE A MEMBER OF THE COMMUNITY, WOULD EXERT INFLUENCE AGAINST CLOSER EUROPEAN-AMERICAN TIES. KARAMANLIS SAID THAT A UNITED EUROPE SHOULD BE AN ATLANTIC EUROPE -- A POINT WHICH THE FRG WILL NOT REPORT TO THE FRENCH. HE SAID THAT EUROPE COULD NOT SUSTAIN ITS INDEPENDENCE WITHOUT AMERICA AND THAT EUROPE HAD TO SACRIFICE FOR THIS, PARTICULARLY SINCE THE EUROPEAN LEVEL OF DEFENSE EXPENDITURES WAS ONLY ONE-HALF AS MUCH OF THE GNP AS THE U.S. AND THE SOVIET LEVELS.
- WITHIN THE CONTEXT OF HIS POSITIVE REMARKS ABOUT A EUROPEAN-AMERICAN RELATIONSHIP, KARAMANLIS WAS NONETHELESS SOMEWHAT CRITICAL OF U.S. POLICY IN THE MIDDLE EAST, IN THE MEDITERRANEAN, AND IN CYPRUS. HE SAID SPECIFICALLY THAT THE U.S. SHOULD EXERT MORE INFLUENCE ON ISRAEL FOR A MIDDLE EAST SETTLEMENT AND HE EXPRESSED CONFIDENCE THAT, ONCE SUCH A SETTLEMENT IS REACHED, THE ARAB STATES WOULD BE LESS UNITED THAN NOW.
- AS FOR CYPRUS, KARAMANLIS SAID THAT THE PRESENT SITUATION WAS UNTENABLE AND UNJUST. HE SAID THAT HE WAS TRYING TO RESTRAIN THE GREEK ARMY AND PEOPLE AND THAT HE WANTED A DIALOG WITH TURKEY AND A REASONABLE SETTLEMENT. NONETHELESS, HE SAID, HE HAD FOUND LITTLE ECHO IN TURKEY AND HE HOPED THE FRG WOULD EXERT ITS INFLUENCE THERE. WHEN SCHMIDT ASKED HIM ABOUT THE KOSYGIN VISIT TO TURKEY, KARAMANLIS REPLIED WITH DEEP CONVICTION THAT TURKEY WOULD NOT JOIN THE SOVIET UNION EVEN IF IT WERE PUSHED TO DO SO BECAUSE OF 260

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YEARS OF RIVALRY AND BECAUSE OF THE ATTITUDES OF THE TURKISH MILITARY.

- SCHMIDT EXPRESSED SATISFACTION WITH KARAMANLIS' POSITIVE REMARKS ON U.S.-EUROPEAN RELATIONSHIPS AND SAID THAT THIS CONVICTION WAS SHARED BY ALL EC MEMBERS INCLUDING FRANCE, EVEN THOUGH GISCARD HAD TO ACT CAREFULLY BECAUSE OF HIS OWN PUBLIC OPINION. HE SAID HE FELT THAT ONLY THE U.S. COULD BRING ABOUT A SOLUTION OF THE MIDDLE EAST CONFLICT AND HE EXPRESSED THE HOPE THAT THE FAILURE OF SOVIET POLICY IN THE MIDDLE EAST WOULD LEAD TO A REEXAMINATION.
- DEALING WITH U.S.-SOVIET AFFAIRS, SCHMIDT EXPRESSED THE CONVICTION THAT DETENTE WOULD CONTINUE EVEN AFTER 1978 -- I.E., AFTER THE CPSU CONGRESS AND THE U.S. ELECTION.
- AS FOR CYPRUS, SCHMIDT SAID THAT THE FRG HAD ONLY DIPLOMATIC AND PSYCHOLOGICAL MEANS TO INFLUENCE THE PRINCIPALS. BUT HE SAID THAT THE FRG HAD MADE IT CLEAR TO TURKEY THAT THE TURKS WOULD HAVE TO MAKE SOME TERRITORIAL CONCESSIONS ON CYPRUS. HE REITERATED THAT THE FRG IS FULLY PREPARED TO TRANSMIT USEFUL COMMUNICATIONS BETWEEN THE PARTIES AND IS GENERALLY PREPARED TO PROVIDE GOOD OFFICES.
- KARAMANLIS SAID HE APPRECIATED THE GERMAN EFFORT AND ADDED THERE WAS SOME HOPE THAT THE INTERCOMMUNAL DIALOG COULD BE TAKEN UP AGAIN. IF DIFFICULTIES AROSE, HE MIGHT BE GLAD TO TAKE ADVANTAGE OF THE GERMAN OFFER.

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